

# AUDITOR/CONTROLLER-RECORDER COUNTY CLERK



COUNTY OF SAN BERNARDINO

**AUDITOR/CONTROLLER** • 222 West Hospitality Lane, Fourth Floor  
San Bernardino, CA 92415-0018 • (909) 387-8322 • Fax (909) 386-8830

**RECORDER • COUNTY CLERK** • 222 West Hospitality Lane, First Floor  
San Bernardino, CA 92415-0022 • (909) 387-8306 • Fax (909) 386-9050

**LARRY WALKER**  
Auditor/Controller-Recorder  
County Clerk

**ELIZABETH A. STARBUCK, CGFM**  
Assistant Auditor/Controller-Recorder  
Assistant County Clerk

August 13, 2008

**Kari Verjil, Registrar of Voters**  
777 E. Rialto Avenue  
San Bernardino, CA 92415

**SUBJECT: AUDIT OF REGISTRAR OF VOTERS CASH CONTROLS**

## Introductory Remarks

In compliance with Article V, Section 6, of the San Bernardino County Charter, the Board of Supervisor's Policy Statement on Internal Operational Auditing, and the Internal Controls and Cash Manual (ICCM), we have completed a cash controls audit of the Registrar of Voters (ROV). Our audit was conducted in accordance with the Standards for the Professional Practice of Internal Auditors.

## Background

The Board of Supervisors, by resolution, establishes cash funds for county departments to facilitate their operations. The Board has delegated the County Auditor/Controller-Recorder (ACR) the authority to establish cash funds up to \$2,500. Several different types of cash funds are used throughout the County, including petty cash funds, change funds, and cash shortage funds. Ordinarily, departments use petty cash funds to buy small items, change funds to make customer change and cash shortage funds to reimburse cash shortages that occur during daily operations. Although these cash funds may differ in amount and purpose, the general guidelines governing their establishment, maintenance, dissolution and reconciliation is the same. Departments designate a fund custodian to be in charge of the fund. At all times the fund custodian must be able to account for the fund in the form of cash, vouchers and receipts. Periodically, ACR Internal Audits Section performs surprise cash counts of these cash funds. Upon demand of ACR or the Board of Supervisors, a department's Fund Custodian is to give an accounting of the fund.

ACR has documented some general cash controls in the ICCM for departments with cash funds. However, each department head or authorized designee is responsible to develop and implement the necessary guidelines and procedures required to control, safeguard and handle cash.

### **Objectives, Scope and Methodology**

Our overall objective was to determine whether cash handling controls practiced by the ROV effectively safeguard cash. Specific audit objectives were to determine whether:

1. ROV properly maintained and secured its change fund.
2. ROV made deposits timely and intact.
3. ROV practiced adequate cashiering controls.
4. ROV properly maintained and secured its petty cash fund.

We reviewed internal controls over cash for the period of January 1, 2008 through March 31, 2008. Our audit included surprise cash counts, verification of deposit records, inquiries of staff, observation of cash handling procedures and other audit procedures considered necessary.

### **Conclusion**

As a result of our analysis and tests performed, we concluded that cash handling controls practiced by the ROV did not always effectively safeguard cash. We determined that:

1. ROV did not appear to properly maintain and secure its change fund.
2. ROV made deposits intact; however, they were not always timely.
3. ROV did not practice adequate cashiering controls.
4. ROV appeared to properly maintain and secure its petty cash fund.

We identified several procedures and practices that could be improved. We have listed these areas and our recommendations for improvement in the Findings and Recommendations section of this report.

We sent a draft report to the department on 08/07/08 and discussed our observations with management on 08/12/08. The department's responses to our recommendations are included in this report.

### **Findings and Recommendations**

#### **Finding 1: Lack of Segregation of Duties**

Management should not assign any one person concurrent duties that would allow him/her complete control over a transaction. The Payroll Specialist concurrently records,

reconciles and maintains custody of cash. Because the department does not separate the duties of maintaining, recording and reconciling cash receipts, an employee can misappropriate cash and conceal it.

**Recommendation:**

We recommend that management segregate the cash handling and bookkeeping duties. For example, one employee should handle everything associated with custody of cash (collecting cash receipts and preparing deposits), another employee should handle accounting for the cash (recording) and another employee should handle reconciling the cash and transactions.

**Management's Response: CONCUR**

Checks received through the mail are recorded by the secretary I, and then given to the PR Specialist for bank deposit. Front counter records their cash collections through the receipt book. At end of the day, cash box with receipts is released back to PR Specialist, who then reconciles the cash box back to its original change fund and places cash and receipts in safe for deposit processing. The Staff Analyst II reviews and signs bank deposits. New procedures are currently in effect.

**Auditor's Response:**

The Department's actions will correct the deficiencies noted in the finding.

**Finding 2: Lack of Accountability for Cash**

The department has only one cash box that is shared by all employees that received cash. Since any employee could receive cash, the department did not effectively limit the access to the cash funds and so there was a higher risk of monies being lost or misappropriated.

**Recommendation:**

We recommend that management either designate one person to receive cash receipts or assign all employees who receive cash receipts his/her own cash box.

**Management's Response: CONCUR**

Only one person is designated to receive cash receipts in the cash box. Candidate Services/Public Services manager signs out for cash box each morning. Cash box is locked in desk drawer and manager has custody of the key. Only permanent employee, as designated, has access to the key. As payments are collected at the front counter, receipt is written by person who received cash. The cash is immediately given to the key custodian to place in the cash box. New procedures are currently in effect.

**Auditor's Response:**

The Department's actions will correct the deficiencies noted in the finding.

**Finding 3: Noncompliance with Proper Safe Access Procedures**

Management must change the combination to the department's safe when an employee who has knowledge of the combination terminates County employment, is transferred to another County department, or is assigned other duties. If there are no staffing changes, management must change the combination at least annually. The safe combination has not been changed in the six years that the payroll specialist has been in her position. There have been two staff that have left employment with the County that could potentially still have the combination. Because the department did not change the combination, an unauthorized individual may gain access to the safe and misappropriate cash.

**Recommendation:**

Management should change the safe combination whenever an employee who has knowledge of the combination leaves the department or is assigned other duties. Even with no staffing changes, the combination must be changed at least annually.

**Management's Response: CONCUR**

Management agrees to change combination annually or more often when an employee who has knowledge of the combination terminates County Employment, is transferred to another County department, or is assigned other duties. Combination has recently been changed.

**Auditor's Response:**

The Department's actions will correct the deficiencies noted in the finding.

**Finding 4: Failure to Make Timely Deposits**

Departments must deposit cash receipts by the next business day when the amount of receipts reaches \$1,000. If lesser amounts are collected, the department should deposit cash receipts at least weekly. The department deposited cash receipts, totaling \$1,700.38, three business days late on the day we performed the count. According to the Payroll Specialist, Brinks only pick up deposits once a week on Tuesdays so deposits are only done on Mondays. If a department does not make deposits timely, they can accumulate large sums of money. Accumulating large sums of money increases the risk of a loss due to theft, misappropriation or lost cash receipts.

**Recommendation:**

We recommend that management make a deposit whenever receipts reach \$1,000 or at least weekly.

**Management's Response: CONCUR with exception.**

Prepaid checks for services/product provided at a later date will no longer be held. All checks are now deposited when received. The exception is that Registrar of Voters does hold all candidate statement check deposits until close of candidate filing in order to return any checks that are void due to candidates appointed in lieu of election. Registrar of Voters participates in Consolidated Banking and deposits weekly with Brinks armored service. Management will continue to make deposits weekly.

**Auditor's Response:**

The Department's actions will correct the deficiencies noted in the finding.

Thank you very much for the cooperation extended by your staff during the course of this audit.

Respectfully submitted,

**Larry Walker**  
Auditor/Controller-Recorder

By: \_\_\_\_\_  
Howard Ochi, CPA  
Chief Deputy Auditor  
Internal Audits Section

Quarterly copies to:

County Administrative Officer  
Board of Supervisors (5)  
Grand Jury (2)

Audit File (3)  
Date Report Distributed: 8/13/08

LDW:HMO:DH:LL:mah